

prevail. The lender must maintain records which adequately document the accrued interest claimed.

(3) The lender is responsible for the legal documentation of interest changes by a rider attached to the promissory note(s) or any other legally effective amendment of the rate(s); however, no new note(s) may be issued.

(g) No increases in interest rates will be permitted under the CP loan guarantee except the normal fluctuations in approved variable interest rate loans.

(h) FmHA or its successor agency under Public Law 103-354 will notify the Finance Office of any interest rate reduction by using Form FmHA or its successor agency under Public Law 103-354 1980-47, "Guaranteed Loan Borrower Adjustments." The District Director will make corrections to the Rural Community Facility Tracking System (RCFTS) reflecting the interest rate change. The FmHA or its successor agency under Public Law 103-354 loan file, as well as the attachments to the copy of the promissory note in the file, will be documented by the District Director to reflect any change in the interest rate.

[55 FR 11139, Mar. 27, 1990, as amended at 56 FR 29171, June 26, 1991]

§ 1980.824 Terms of loan repayment.

(a) Principal and interest on the loan will be due and payable as provided in the debt instrument except, any interest accrued as the result of the borrower's default on the guaranteed loan(s) over and above that which would have accrued at the debt instrument rate on the guaranteed loan(s) will not be guaranteed by FmHA or its successor agency under Public Law 103-354. The lender will structure repayments as established in the loan agreement between the lender and borrower. Ordinarily, such installments will be scheduled for payment as agreed upon by the lender and borrower on terms that reasonably assure repayment of the loan. However, the first installment to include a repayment of principal may be scheduled for payment after the project is operable and has begun to generate income, but such installment will be due and payable within two years from the date of the debt

instrument and at least annually thereafter. Interest will be due at least annually from the date of the debt instrument. Ordinarily, monthly payments will be expected, except for borrowers with income limited to less frequent intervals.

(b) The maximum time allowable for final maturity for an FmHA or its successor agency under Public Law 103-354 guaranteed CP loan will be limited to the useful life of the facility, not to exceed forty (40) years.

(c) FmHA or its successor agency under Public Law 103-354 will not guarantee any loan in which the bond, promissory note or any other document provides for the payment of interest upon interest.

[55 FR 11139, Mar. 27, 1990, as amended at 56 FR 29171, June 26, 1991]

§§ 1980.825-1980.831 [Reserved]

§ 1980.832 Environmental requirements.

The environmental requirements for this subpart are set out at §1980.40 of subpart A of this part and subpart G of part 1940 of this chapter.

§ 1980.833 Flood or mudslide hazard area precautions.

The flood or mudslide hazard area precautions required for this subpart are set out at §1980.42 of subpart A of this part.

§ 1980.834 Equal opportunity and non-discrimination requirements.

The equal opportunity and non-discrimination requirements for this subpart are set out at §1980.41 of subpart A of this part.

§§ 1980.835-1980.841 [Reserved]

§ 1980.842 Economic feasibility requirements.

The economic feasibility requirements for this subpart are set out at §1942.17(h) of subpart A and/or at §1942.116 of subpart C of part 1942 of this chapter.

[56 FR 29171, June 26, 1991]

§ 1980.843 Security.

(a) The lender is responsible for seeing that proper and adequate security

§ 1980.844

is obtained and maintained in existence and of record to protect the interest of the lender, the holder, and FmHA or its successor agency under Public Law 103-354.

(b) Security must be of such a nature that repayment of the loan is reasonably assured when considered with the integrity and ability of project management, soundness of the project, and the applicant's prospective earnings. The security may include but is not limited to the following: General Obligation Bonds, pledge of taxes or assessments, facility revenue, land, easements, rights-of-way, water rights, buildings, machinery, equipment, accounts receivable, contracts, and cash or other accounts. Security may also include assignments of leases or leasehold interest.

(c) All security must secure the entire loan. The lender will not take separate security to secure only the unguaranteed portion of the loan. The lender will not require compensating balances or certificates of deposit as a means of eliminating the lender's exposure on the unguaranteed portion of the loan.

§ 1980.844 Appraisal reports.

The borrower is responsible for the acquisition of all property rights necessary for the project and will determine that prices paid are reasonable and fair.

[64 FR 28336, May 26, 1999]

§§ 1980.845-1980.850 [Reserved]

§ 1980.851 Processing applications.

(a) *Preapplications.* (1) The County Office may handle initial inquiries and provide basic information about the program. They are to provide Standard Form (SF) 424.1 or 424.2, "Application for Federal Assistance." The County Supervisor will assist borrowers as needed in completing SF-424 and in filing written notice of intent and request for priority recommendations with the appropriate clearinghouse (except Federally recognized Indian tribes which will be dealt with in accordance with §1940.453(c) of subpart J of part 1940 of this chapter). The County Supervisor will inform the borrower that if credit for the project is available

7 CFR Ch. XVIII (1-1-01 Edition)

from commercial sources without the guarantee at reasonable rates and terms, the borrower is not eligible for a loan guaranteed by FmHA or its successor agency under Public Law 103-354. Preapplications filed in the County Office will be forwarded immediately to the District Office. The applicant/borrower will be informed that further processing will be handled by the District Office. An information folder will be established and maintained by the County Office once a preapplication is received. In the event the preapplication is filed in the District Office, the District Director may assist the borrower in completing the preapplication requirements. The District Director will meet with the borrower/applicant, whenever appropriate, to discuss FmHA or its successor agency under Public Law 103-354 preapplication processing. The appropriate information to set up the County Office information file will be sent to the County Supervisor by the District Director. Guidance and assistance will be provided by the State Director, as needed, for orderly application processing. The District Director will determine that the preapplication is properly completed and fully reviewed. The District Director will then forward the preapplication package to the State Director. The preapplication package will contain:

(i) Eligibility determination and recommendations.

(ii) One copy of SF-424.

(iii) State intergovernmental review comments and recommendations for the borrower's project (clearinghouse comments.)

(iv) Priority recommendations.

(v) Supporting documentation necessary to make an eligibility determination, such as financial statements, audits, or copies of organizational documents or existing debt instruments. The District Director will advise borrowers/applicants on what documents are necessary. Borrowers should not be required to expend significant amounts of money or time developing supporting documentation at the preapplication stage.

(vi) Information on applicant.